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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

September 17, 2013

Certified Return Receipt
7011 0110 0001 3568 4800

Kyle Kimmerle
Kimmerle Mining LLC
2056 Simpatica Court
Moab, Utah 84532

Subject: Review of Reclamation Surety, Kimmerle Mining LLC, Neighbor Mine, S/037/0119, San Juan County, Utah

Response required by November 15, 2013.

Dear Mr. Kimmerle:

As discussed below, the reclamation surety for the Neighbor mine needs to be increased to \$11,000.00. The principal amount in the certificate of deposit (CD) being held as surety is \$8000.00, but the additional funds in this account, \$1005.75, can be applied toward the surety so that the additional amount needed is about \$2000.00.

The initial negotiated surety valuation of \$8,000.00 for the Neighbor mine was done in 2005, revised downward from the \$10,500.00 original permitting estimate in 2005 when conditional approval of the Notice of Intention to Commence Small Mining Operations (NOI) was given. The surety amount was supposed to be escalated as provided by a routine five-year bond escalation to 2010 dollar value of \$11,800.00. However, even after negotiation with you to reduce that 2010 value to \$9,200.00, the principal amount of the CD held with Wells Fargo Bank has not been increased to the agreed upon amount and remains at \$8,000.00. The value of the CD with interest is currently \$9005.75, but the additional funds in the surety have not been designated as part of the surety. Both the Division and the land owner, the Bureau of Land Management, agree that this value is insufficient and the surety amount must be adjusted to account for changes in reclamation costs.

In keeping with the Division's negotiated 2010 value of \$9,200.00 stated above, and based on average reclamation cost increases since that time, the surety amount needs to be increased from \$8,000.00 to \$11,000.00, a value below the calculated estimated cost in 2010 dollars.



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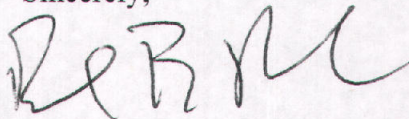
The additional funds in the CD can be applied toward the surety, but the amount needs to be shown in the CD agreement letter. Please contact the bond coordinator, Penny Berry, at 801-538-5291 or by e mail at pennyberry@utah.gov for information about applying the interest toward the surety and about submitting the additional bond, about \$2000.00. You may increase your bond amount to the stipulated value by increasing the amount in the certificate of deposit, submitting a letter of credit, or providing a cash deposit to the State of Utah for the additional amount. Bonding forms are available on the Internet at:
<http://www.ogm.utah.gov/minerals/MINERALSFORMS.htm>.

The alternative to increasing the bond value is to remove all equipment from the site and regrade and revegetate all disturbances created by Kimmerle Mining, including the proper plugging and abandonment of exploratory drill holes. Once site reclamation has been completed, the current bond will be returned to you and the permit will be retired. If you wish to resume mining of your claims on this site, you will be required to submit a new NOI to the Division and obtain appropriate approvals from other agencies, notably the Bureau of Land Management.

Please provide the additional surety or perform the reclamation no later than November 15, 2013.

Thank you for your attention in keeping the surety current. If you have any questions concerning this letter, please contact me at 801-538-5261 or Mike Bradley at 801-538-5332.

Sincerely,



Paul B. Baker
Mining Program Manager

PBB:mpb:pb

cc: Ted McDougall, BLM Monticello (tmcdouga@blm.gov); Opie Abeyta, BLMSO (oabeyta@blm.gov)
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